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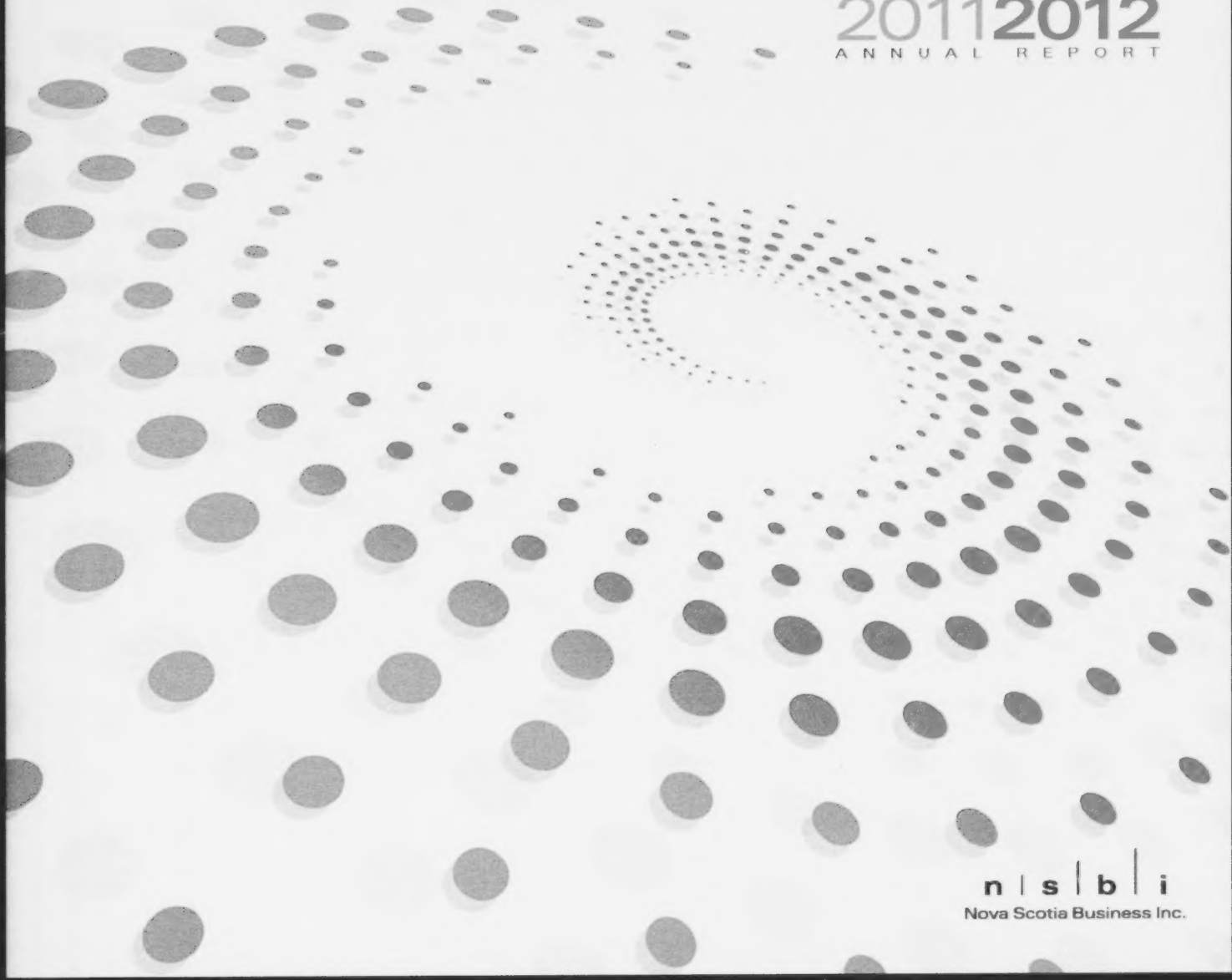

nsbi
Nova Scotia Business Inc.

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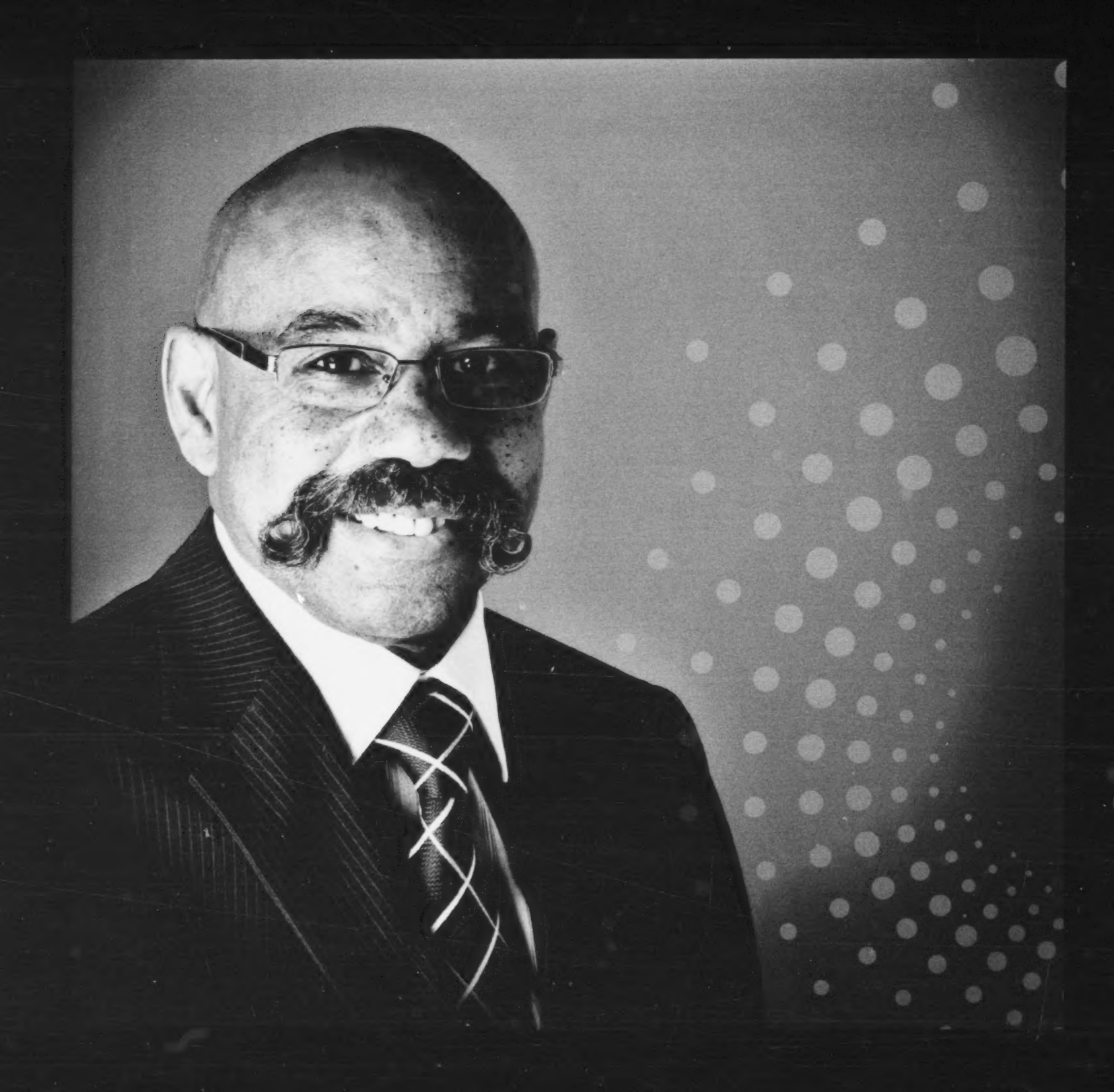


message from
the minister of economic and rural development and tourism
the Honourable Percy Paris

During the 2011/2012 fiscal year, the Nova Scotia government's plan to grow our economy, jobsHere, was in its second year. The strategy has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally.

As part of its work under jobsHere, the Province's business development agency, Nova Scotia Business Inc. (NSBI), was focused on its mission to deliver client-focused business solutions that result in strong, sustainable economic growth and prosperity for the Province of Nova Scotia.

NSBI worked with its partners to attract new businesses to Nova Scotia and to deliver financing, venture capital, and trade services and programs. Through this work, NSBI, its partners, and government as a whole continue to help create higher-value jobs, grow the economy through innovation, keep our talented young people in Nova Scotia, and help Nova Scotia businesses compete on a global level.

Looking forward, Nova Scotia needs to push boundaries and strengthen its position in the global market. NSBI, alongside its partners, continues to work hard to further Nova Scotia's potential and support this growth. NSBI continues to play a vital role in achieving the jobsHere goals.

message from

Chair, NSBI Board of Directors, Jim Eisenhauer and President and Chief Executive Officer, Stephen Lund

Globally competitive companies are vital to the economic growth, sustainability and prosperity of the Province of Nova Scotia. NSBI works with companies every day to help them grow and meet their full potential, both domestically and internationally, through trade and investment.

The 2011/2012 fiscal year marked the end of NSBI's second five year strategic plan cycle. In the face of economic turbulence – and some retrenching in the aftermath of a global recession, NSBI charted impressive results over the past five years. Since 2007, Nova Scotia has attracted leading international companies in keys sectors. Nova Scotia is now the fastest-growing hedge fund administration centre in the country[1] and according to Statistics Canada, our information technology sector grew faster than any other province over the last 5 years, in terms of real GDP[2]. These gains have positioned Nova Scotia for future growth and opportunity. Even more important, Nova Scotia companies are competing and winning on the global stage. In fact, 2011/2012 has been one of NSBI's busiest years in investment and trade development; illustrating our success in bringing Nova Scotia to the world and the world to Nova Scotia.

With NSBI's assistance, our clients did business in over 40 countries around the globe; spanning five continents. We almost doubled our target number of trade development clients from 250 to 441 – an increase of 76%. As a result of ongoing economic uncertainty, NSBI charted 5 of a targeted 14 transactions in business financing. Our goal was ambitious; however, our work has positioned us well to assist more clients through the 2012/2013 fiscal year. The NSBI Venture Capital team concluded 5 transactions injecting equity and opportunity in business across the province. In investment attraction, NSBI closed 5 of the 8 foreign direct investments targeted and through our work this year, several clients are now poised to announce transactions next fiscal. We also more than doubled our client-reported actual and forecasted export sales – the target was $140 million, and the actual amount achieved was $318 million.

Companies in Nova Scotia are realizing their opportunity for growth through international trade. In line with the jobsHere plan to grow Nova Scotia's economy, NSBI helps companies reach their potential through investments and services that allow companies to grow, hire, and increase productivity and innovation to compete in international markets. By empowering our businesses to be more globally competitive, we are strengthening our economy, our workforce, and our entrepreneurial spirit.

With renewed confidence, companies outside our provincial borders are emerging from the global financial crisis and once again considering Nova Scotia as a possible location for expansion. These new international companies inject millions of dollars of new payroll into employees' pockets – and into our economy – and introduce new skills and knowledge to our work force. They also provide indirect economic spin-off that encourages the growth and start-up of other businesses while generating new tax revenues to support the delivery of government programs and services.

The pinnacle of success is to create a self-sustaining cycle in which more global trade triggers more investment and exports, and this, in turn, creates more jobs for Nova Scotians and a robust economy here at home.

[1]KPMG Canada
[2]2011, Statistics Canada, CANSIM 379-0026

2011-2012 activity

BUSINESS FINANCING		
Ad–Dispatch	$ 250,000	HRM
L & S Lumber	$ 350,000	Queens
McGregor GeoScience	$ 780,000	Inverness
Surrette Battery	$ 1,025,000	Cumberland
Wearwell Garments	$ 50,000	Pictou

VENTURE CAPITAL

Azorus	$ 500,000	HRM
Halifax Biomedical	$ 2,000,000	Inverness
LED Roadway Lighting	$ 4,000,000	Cumberland
Origin BioMed	$ 850,000	HRM
Techlink Entertainment	$ 7,500,000*	Cape Breton

*Amount is comprised of two separate transactions of $6 million and $1.5 million.

INVESTMENT ATTRACTION

Admiral Administration (Canada)	$ 2,208,500	HRM
EUI Limited (Admiral Insurance Services)	$ 2,242,500	HRM
Master Merchant Systems Software/ V-DOCS	$ 420,000	HRM
NTT Data Canada (formerly Keane Canada)	$ 3,463,688	HRM
TD Insurance Meloche Monnex	$ 1,855,125	HRM
Virtual-Agent Services Canada	$ 1,244,551	Cumberland

Note: There were no material amendments in fiscal 2011-12.

Andrea Hachey | Client Services Consultant | Master Merchant Systems/V-DOCS Paperless Contracts
V-DOCS

V-DOCS

going digital and going global

Master Merchant Systems/V-DOCS Digital Contracts; Dartmouth, NS

"This is a great example of a Nova Scotia company that continues to stay on top of technology trends while expanding into new global markets. Innovative companies like Master Merchant Systems/V-DOCS bring the Nova Scotia brand to businesses and consumers around the world, helping foster the growth of our province's IT sector."

– Gerald Lawson, Director, Information and Communication Technology for Investment Attraction, NSBI

Headquartered in Nova Scotia, Master Merchant Systems/V-DOCS provides innovative retail management solutions for the telecommunications industry.

Master Merchant Systems/V-DOCS developed a digital contract solution that provides companies with the option to use electronic PDF contracts instead of the traditional paper format. These digital contracts can be signed instantly on-screen which can save companies time and money as paper contracts, on average, cost a total of $20 once storage, filing, labour, materials and service are included. Digital contracts also serve as an eco-friendly solution for environmentally conscious companies.

Master Merchant Systems/V-DOCS' revolutionary technology alleviates all of these issues, and helps move companies into the digital convenience of the 21st century.

Master Merchant Systems/V-DOCS became a client of NSBI in 2005, starting with trade services. The company participated in several NSBI-facilitated trade missions – such as the Mobile World Congress in Barcelona, Spain – designed to help get the company into key markets in Europe, the United States, and the Caribbean.

This past year, NSBI and Master Merchant Systems/V-DOCS signed a maximum $420,000 payroll rebate, helping the company grow beyond its staff of 40.

The payroll rebate will help us double our workforce with local talent, allowing us to compete with larger providers in international markets."

– Matt Brannon, Senior VP of Sales and Marketing, Master Merchant Systems/V-DOCS

innovation fuels growth

We live in a digital world with many common business practices lagging behind. Master Merchant Systems/ V-DOC's digital contract is an innovative product with mass potential for sales worldwide. To increase their capacity to meet global demand for this product, the company required more employees and NSBI's payroll rebate is the tool helping make it happen. As they grow the company, they will continue to create more jobs in Nova Scotia, and strengthen the international image of our province's IT sector.

John Xidos | President and
Schlink International Entertainment

helping local entrepreneurs step up their game

Techlink International Entertainment; Sydney, NS

"Working with homegrown companies like Techlink International Entertainment (Techlink), with an existing global presence, helps strengthen our province's international trade, workforce, and economy."

— Peter MacNeil, Director, NSBI Venture Capital

Techlink is reinvigorating the gaming industry with innovative games and gaming machines, while leading the way in responsible gambling systems.

The Atlantic Lottery Corporation set out to replace the outdated and end-of-life Video Lottery Terminals (VLTs) across Atlantic Canada. Techlink was awarded the lucrative contract for 1,000 VLTs. Their excellent price-to-quality ratio, and integrity of their machines, proved a winning combination.

While the company has earned a reputation as trailblazers of their technology, even the best, most innovative companies face practical barriers to their growth. In order to deliver on this contract for 1,000 VLT machines – the largest contract in Techlink's career – they required financial assistance. NSBI invested $6,000,000 in their company, allowing them to purchase the materials required to fulfill this $21,000,000 contract, and take their company to a whole new level of success.

NSBI's investment has allowed us to acquire the single largest contract awarded in the history of our company. It's a significant milestone in our journey to international growth. It takes our capacity and competiveness to an entirely new level."

— John Xidos, President and CEO, Techlink International Entertainment

investing in local companies is an investment in our future

Techlink is a significant employer in Sydney, with annual wages approaching $4,000,000. Every year, they generate $20,000,000 in combined economic benefits for the province. NSBI's investment in them is an investment in a thriving Nova Scotia.

Nathan Kroll | President and CEO | Ad-Dispatch

AD-DISPATCH AR

making global sales (an augmented) reality

Ad-Dispatch, Augmented Reality Technology; Dartmouth, NS

"Ad-Dispatch is a home-grown company harnessing an emerging technology, and working with some of the largest companies in North America. Helping them promote their products and services in new markets is a great example of how we work with Nova Scotia businesses."

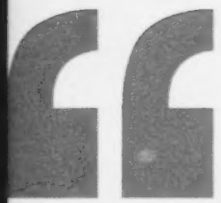
—Jonathan Coles, Senior Account Manager, Business Financing, NSBI

Companies like Ad-Dispatch are putting the future in our hands, literally. By merely pointing your smartphone at objects, their Augmented Reality technology adds content, entertainment and gaming to that object. While practical uses for Augmented Reality have been confined to advertising, gaming, and event promotions, Ad- Dispatch is the first company using this technology to revolutionize clothing, and take consumer merchandise into the 21st century.

Company President Nathan Kroll is the winner of several entrepreneurial awards, and the company twice made Profit Magazine's 100 Fastest Growing Companies in Canada. Ad-Dispatch's latest business venture illustrates their keen eye for finding untapped markets. Every year, about 1.7 billion t-shirts are distributed globally – making it a large market to potentially enhance with the entertainment value of Augmented Reality.

Ad-Dispatch started as a trade service client with NSBI, accessing programs like the Service Export Program, which assists companies in sealing late stage, out-of-province sales deals, and participating in international trade missions, such as the Game Developers Conference in San Francisco, California.

NSBI's $250,000 repayable loan to Ad-Dispatch this past year is helping them partially fund the expansion of the Augmented Reality apparel. The company was able to increase production and begin distribution into the United States. They have since more than doubled the size of the company and have launched successful retail applications for both *The Avengers* and *Spiderman* in national tier 1 retail. Ad-Dispatch also secured listings with some of the largest clothing distributors in North America, including Walmart, Target, and Kohls. Soon, Ad-Dispatch will be able to say, about virtually every location, "Been there, sold the shirt."



We had to move quickly to get our product to market, and NSBI's repayable loan in part helped us hire enough people to deliver our product, meet demand, and pursue the market more aggressively."

– Nathan Kroll, President and CEO, Ad-Dispatch

maximizing revenues requires international trade

NSBI's repayable loan to Ad-Dispatch has helped them in part more than double their staff and form working relationships with high-profile retailers. These connections allow them to sell far more of their product than if they were marketing them within Nova Scotia alone. By empowering this local company, NSBI is empowering the global reach, entrepreneurial spirit, and workforce of Nova Scotia.

Left to right: Ben Pershick, Managing Director | Alex Muñoz, Fund Accountant | Korey Turnquest, Senior Account Manager | Admiral Administration

winning fit

Admiral Administration; Cayman Islands and now Bedford, NS

"Nova Scotia is, and continues to be recognized as a global financial services centre. In 2006, we identified this sector as a key growth opportunity for Nova Scotia and we will continue to target high-quality companies to ensure the growth and sustainability of the financial services sector."

– Stephen Lund, President and Chief Executive Officer, NSBI

Industry-leading authorities ranked Halifax as the fastest growing hedge fund administration centre in Canada. In fact, low operating costs, a wealth of talent, incentives and aggressive business development efforts have attracted hedge fund administration companies like Citco Fund Services, Butterfield Fulcrum and Meridian Fund Services to establish operations in the province.

In April 2012, NSBI attracted Admiral Administration – an award-winning global hedge fund administration leader, headquartered in the Cayman Islands with offices in Ireland and the United States – to Nova Scotia.

The company administers more than 200 funds totaling about $20 billion in net assets. This expansion will eventually make Bedford their largest office as well as their primary centre for hedge fund administration services.

NSBI spent five years fostering a relationship with Admiral Administration, and successfully pitched Halifax to them as an ideal destination to set up an office that will potentially be home to up to 175 new jobs. NSBI helped seal the deal by signing a payroll rebate of $2,208,500. The presence of this company in Halifax strengthens Nova Scotia's position as a global player in the financial services sector.

NSBI went the extra mile to get us to choose Nova Scotia.

It was the right competitive jurisdiction for our next global footprint expansion. Nova Scotia offers a great location, competitive costs and talented labour. It is the perfect fit."

– Canover Watson, Managing Director, Admiral Administration

seeing it, believing in it and actively building it

Nova Scotia is home to 10 universities and a thriving community college with 13 campuses. Talented graduates from these institutions are finding work with international companies as they set up offices in Nova Scotia, and in turn, these companies are benefitting from our local expertise in financial services. NSBI is continuously attracting international companies to establish offices in Nova Scotia, and fostering the mutually beneficial relationship between international companies, local supply chains, and our local workforce. As this sector booms, it creates more growth for these companies, more higher-value jobs for our graduates, and a more sustainable economy for the province.

Charles Cartmill | CEO | LED Roadway Lighting

lighting the way
for international business opportunities

LED Roadway Lighting; Amherst and Halifax, NS

"In order to grow and strengthen the economy of Nova Scotia, we need to think and act globally. LED Roadway Lighting has become a leader in innovation by staying a step ahead of its competitors. That's not easy to do, and it often requires support. That's where we come in."

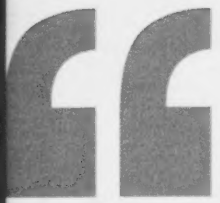
– Mike McMurray, Director, Trade Development, NSBI

LED Roadway Lighting (LRL) is a global leader in LED technology. With more municipalities and utilities making the switch to energy efficient lighting, their product has global appeal. LRL's LED-based street and area lighting fixtures provide improved illumination versus traditional lamp sources, last longer, require less maintenance, and consume up to 80% less energy. This makes them a cost-effective and eco-conscious choice for larger-scale lighting projects, with immense sales potential internationally.

LRL has taken a proactive approach to their international market development, using most of the trade development services offered through NSBI.

This past year, LRL attracted a $4,000,000 private-sector investment from Montreal-based venture capital firm Cycle Capital when NSBI also provided $4,000,000 in venture capital. The Province was further able to support the company through Jobs Fund, by providing incentives to hire university co-op students through the Strategic Cooperative Incentive Program.

As a result, LRL is seeing tremendous growth around the world, and now has installations with more than 300 municipal, utility and commercial clients in more than 25 countries worldwide. This growth has increased their staff to 150 employees, and projections indicate further growth in the coming years. Soon, this Nova Scotia-based company will be illuminating streets and spaces the world over.



NSBI has been a contributor to the growth of our business and the services they offered have been invaluable. We're excited to be moving forward and growing our business here in Nova Scotia, and sharing our product with the world."

– Charles Cartmill, CEO, LED Roadway Lighting

a brighter future through international trade

LED Roadway Lighting successfully developed an innovative, eco-friendly product right here in Nova Scotia. When the opportunity arose for this company to sell their product to markets worldwide, NSBI provided the right kinds of assistance required to help them expand to meet global demand. Today, LED Roadway Lighting is extending their reach to 25 countries worldwide. This success story is a shining example of how increased foreign trade by local companies lights up our local economy and creates more jobs at home for Nova Scotians.

James Surrette | President | Surrette Battery

Surrette
BATTERY COMPANY LIMITED

the power of global trade

Surrette Battery; Springhill, NS

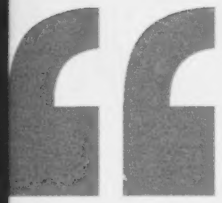
"Having companies like Surrette Battery meet demand in global markets is a great boost to our economy, and NSBI's investment in Surrette Battery reflects our commitment to creating good jobs in Nova Scotia."

– Mike Queripel, Manager, Business Financing, NSBI

Surrette Battery, Canada's only independent battery manufacturer, is one of North America's leading lead-acid battery manufacturers. Known for their commitment to sustainability, they are relied upon worldwide for dependable products used in railroad, marine, motive power, and renewable energy markets. Among their product offering is a line of batteries used primarily in storing solar and wind power for use during power outages. This renewable source of power is vital in places like Mexico, Haiti, and the Dominican Republic, where power can be lost up to five times a day.

The current worldwide demand for renewable energy makes their eco-friendly batteries more viable than ever for trade in international markets. Since 2008, the company has been developing a new manufacturing process to improve productivity and help them meet market demands. To do so, Surrette Battery needed to expand their manufacturing facility, upgrade and expand production lines and maintain employee numbers.

NSBI was there to help. They loaned Surrette Battery $1,025,000 to assist with building expansion and equipment upgrades. NSBI's investment and facilitated trade missions have helped Surrette Battery establish new markets for their products from their headquarters in Springhill, Nova Scotia.



NSBI is helping us achieve our goals and service increasing demand in our export markets, especially in the renewable energy sector in Europe and Central America."

– James Surrette, President, Surrette Battery

true success is a self-fulfilling cycle

Going global requires growing your company, and NSBI's tools can help. Surrette Battery has been a key employer in Springhill since 1959, and NSBI's support of Surrette Battery will help the company continue to grow even more by increasing its capacity for global trade.

nsbi board of directors

Due diligence and adherence to rigorous corporate governance guide the action of NSBI's private-sector board. Comprised of respected business leaders from communities across Nova Scotia, the NSBI board of directors provides guidance and governance for NSBI's business activities.

Including committee meetings, members of the board met 32 times in 2011/2012 to:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic business planning process
- Identify and monitor major risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits

Dan Christmas

(appointed June 2010)

- Senior Advisor, Membertou Band Council & Membertou Corporate Division, Membertou
- Member of the Premier's Council on the Economy

Simon d'Entremont

(appointed January 2012)

- Deputy Minister, Economic and Rural Development and Tourism
- Innovacorp, Board of Directors
- Trade Centre Limited, Board of Directors
- Nova Scotia Tourism Agency, Interim Board of Directors

J.D. (Jim) Eisenhauer Chair

(appointed director, January 2005)

- President, ABCO Group Limited, Lunenburg
- Atlantic Industries Ltd., Board of Directors
- Composites Atlantic Ltd., Board of Directors
- Nova Scotia Power Inc., Board of Directors, Chair
- Emera Inc., Board of Directors

Bert Frizzell

(appointed September 2011)

- Chief Executive Officer, The Shaw Group, Halifax
- Acadia University, Board of Governors
- Heritage Gas, Board of Directors
- LED Roadway Lighting, Board of Directors
- CarbonCure Technologies Inc., Board of Directors
- Canadian Centre for Ethics in Public Affairs (CCEPA), Board of Directors

Ray Ivany

(appointed December 2010)

- President & Vice-Chancellor, Acadia University, Wolfville
- Former President & CEO, Nova Scotia Community College
- Worker's Compensation Board of Nova Scotia, Former Chair
- Association of Universities and Colleges of Canada, Board of Directors

Bert Lewis

(appointed November 2010)

- Business Development Manager, Mulgrave Machine Works Ltd., Port Hawkesbury Mulgrave
- Former Principal, Nova Scotia Community College, Strait Area Campus
- Nova Scotia Hearing and Speech Centres, Board of Directors
- Celtic Colours International Festival, Board of Directors
- Strait Area Chamber of Commerce, Former President

Lois Dyer Mann

(appointed December 2007)

- Former Partner, Caldwell Partners, Halifax
- 2011 Canada Winter Games Host Society
- Halifax Chamber of Commerce, Former Chair
- IWK Health Centre Foundation, Former Trustee

Sean C. Murray
(appointed June 2007)

- President and CEO, Advocate Printing and Publishing Company Limited, Pictou
- Canadian Printing Industries Scholarship Trust Fund, Trustee
- The Canadian Community Newspaper Database Corporation (ComBase), Chair
- Juvenile Diabetes Research Foundation Canada, Board of Directors
- Aberdeen Health Foundation, Board of Directors

Stuart Rath
(appointed March 2007)

- President and Director, Stuco Holdings Limited, Truro
- Truro Centre Limited, Vice President
- Erdene Resource Development Corp., Board of Directors

Ronald E. Smith
(appointed May 2011)

- Former CFO, Aliant Telecom Inc.
- Former CFO of Emera Inc.
- Canada Pension Plan Investment, Board of Directors
- Acadia University, Board of Governors
- AuRico Gold Inc., Board of Directors
- Economic and Rural Development & Tourism Jobs Fund Board, Chair

Janice Stairs Vice-Chair
(appointed director, September 2009)

- General Counsel, Namibia Rare Earths Inc.
- McInnes Cooper, Halifax Counsel
- NovaCopper Inc. (TSX:NYSE-AMEX), Board of Directors
- Halifax Grammar School, Board of Governors and Executive Committee, Past Member
- Nova Scotia District Council of the Investment Dealers Association, Past Member

Nancy Tower
(appointed October 2004)

- Executive Vice-President Business Development, and CEO Emera Nfld. & Labrador, Emera Inc., Halifax
- Atlantic Institute for Market Studies (AIMS), Board of Directors
- Advisory Council of the Dalhousie University Corporate Residency MBA Program, Member
- QEII Hospital Foundation Board of Trustees, Former Member
- CAA Maritimes, Former Chair
- Nova Scotia Institute of Chartered Accountants, Former President

Scott Travers
(appointed June 2009)

- President and COO, Minas Basin Pulp and Power Company Limited, Hantsport
- Newton Falls Fine Paper Company, LLC , Vice Chairman and President
- Crown Fibre Tube, Director
- Electrical Consumers Association of Nova Scotia, Founding Member

committees

The Audit, Human Resources Governance, and Investment Committees serve to assist the board in carrying out its responsibilities.

The Audit Committee oversees NSBI's financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.
Chair: Nancy Tower
Members: Janice Stairs, Dan Christmas

The Human Resources Governance Committee ensures appropriate human resource management policies are in place, manages the recruitment process for new board members, as well as develops and oversees NSBI's corporate governance principles.
Chair: Lois Dyer Mann
Members: Ray Ivany, Bert Lewis

The Investment Committee oversees NSBI's investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.
Chair: Sean Murray
Members: Scott Travers, Stuart Rath, Ron Smith, Bert Frizzell

officers

Stephen Lund, President and Chief Executive Officer
Lisa Bugden, Vice-President
Peter MacAskill, Managing Director, Corporate Services

corporate scorecard summary

GOAL	INDICATOR	MEASURE OF SUCCESS	FULL YEAR TARGET	YTD TARGET	YTD ACTUAL	PERFORMANCE INDICATOR
Overall Performance	Total forecasted new and retained payroll	Total Payroll impact of NSBI clients (1.)	$130,000,000	$130,000,000	$92,179,344	☒
	Fiscally prudent financing	Forecasted average portfolio return on investments utilizing Strategic Investment Funds (Payroll Rebates)	30% or Greater	30% or Greater	54.6%	☑
Attract leading edge, sustainable business investment to Nova Scotia	Foreign Direct Investment (FDI) in Nova Scotia	# of projects committed by Investment Attraction clients	8	8	5	☒
	Domestic Investment in Nova Scotia	# of projects committed by Investment Attraction clients	4	4	1	☒
	Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction clients (2.)	$45,000	$45,000	$38,004	☒
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in export markets	Volume and diversity of exports	# of clients introduced to new markets or further advanced in existing markets	250	250	441	☑
	Export sales	Client-reported actual and forecasted export sales (3.)	$140,000,000	$140,000,000	$318,018,163	☑
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of Venture Capital projects authorized (4.)	4	4	6	☑
		# of Business Financing projects authorized (5.)	14	14	5	☒
		# of Business Financing companies that undertake payroll rebates utilizing the Strategic Investment Fund	-	-	Discontinued	
	Quality Portfolio Management	Impaired Loan Ratio	15.0% or less	15.0% or less	20.3%	☒
	Partner for financing solutions	Leverage ratio of Partner/Client: NSBI	0.5	0.5	0.44	☒

2011-12	Forecasted Payroll (Max + Retained)	Min + Retained	Max Jobs + Retained Jobs
Venture Capital	$ 0	-	-
Trade Development	$ 42,713,844	1,525	1,525
Investment Attraction	$ 44,654,500	470	1,021
Business Finance	$ 4,811,000	187	218
Total	**$ 92,179,344**	**2,182**	**2,764**

corporate scorecard notes

1. Consistent with industry reporting standards, NSBI's approach to reporting the creation and retention of payroll is to record the project, and the maximum forecasted payroll impact, in the fiscal year in which the project is authorized and accepted by the client.

   The maximum payroll impact is calculated by adding the maximum payroll possible plus retained payroll from projects completed in the fiscal year.

   Total payroll = maximum payroll + retained payroll.

   Payroll impact from trade development clients are forecasted using a metric: one incremental job created for each $90,000 in incremental client-reported actual and forecasted export sales. The 24-month sales data reported by these clients is annualized and then further divided by $90,000 to estimate the job impact. To calculate payroll, the job figure is multiplied by the average per capita income in the province as reported by Statistics Canada. The assumption: each forecasted job created by trade development clients has a salary equivalent to the average per capita income in the province.

   Forecasted payroll from business financing, venture capital and investment attraction clients is determined by the projects authorized in 2011-12. If any transactions were considered follow-on investments (to an existing client), only incremental payroll (if any) is included for 2011/12 . There is no double counting of any payroll associated with the existing transaction.

2. Average gross salary includes salary and benefits.

3. Client-reported actual and forecasted export sales of $318 million relates to sales resulting from an NSBI-related trade event. Clients reported actual export sales signed at the time of the event of $11 million. Clients were contacted again six months following the event and reported $54.4 million incremental sales and forecasted an additional $252.6 million in sales for the following 18 months.

4. All Venture Capital transactions in 2011-12 were follow-on investments.

5. All Business Financing transactions in 2011-12 were loans.

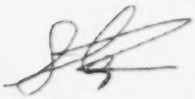
management's responsibility for financial reporting

The accompanying financial statements of Nova Scotia Business Inc. have been prepared by management in accordance with the Canadian public sector accounting standards and, if necessary, contain certain items that reflect the best estimates and judgment of management. The integrity and objectivity of the data in these financial statements are management's responsibility. Management is responsible for ensuring that all information in the Annual Report is consistent with the financial statements.

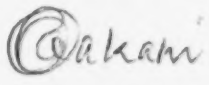
In support of its responsibility, management has developed and maintains financial and management control systems and practices to provide reasonable assurance that transactions are properly authorized and recorded, that financial information is reliable, that the assets are safeguarded and liabilities recognized, and that the operations are carried out effectively.

The Board of Director's Audit Committee, comprised of non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, compliance & risk management, and the independent auditors to review internal accounting controls, audit controls, audit results, accounting principles and practices, and to review and approve the financial statements.

These financial statements have been audited by the corporation's external auditors, KPMG LLP, and their report is presented herein.



Stephen Lund
President and Chief Executive Officer



Ferdinand Makani, MBA, CMA
Controller

auditors' report

To the Directors of Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc. which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, the statements of operations, remeasurement gains and losses, changes in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Business Inc. as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations and its changes in remeasurement gains and losses, net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, June 28, 2012
Halifax, Canada

statements of financial position (in thousands of dollars)

March 31, 2012, March 31, 2011 and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
FINANCIAL ASSETS			
Cash and cash equivalents	$ 16,335	$ 10,136	$ 15,178
Accrued interest receivable	1,156	2,176	1,737
Other receivables	648	680	756
Due from the Province of Nova Scotia	6,711	8,697	9,657
Loans receivable (note 3 and 7)	78,672	89,770	86,869
Equity investments (note 4 and 7)	32,997	26,507	29,080
	136,519	**137,966**	**143,277**
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	9,332	11,127	13,258
Accrued interest payable	1,572	808	893
Employee benefits and other liabilities (note 16)	1,394	1,351	1,225
Transfer payments payable to the Province of Nova Scotia	1,429	967	1,915
Deferred revenue	571	616	381
Provision for payment of guarantees (note 7)	300	30	2,900
Long-term debt due to the Province of Nova Scotia (note 8)	105,017	102,724	101,374
	119,615	117,623	121,946
Net financial assets	**16,904**	**20,343**	**21,331**
NON-FINANCIAL ASSETS			
Tangible capital assets - industrial parks and malls (note 5)	1,331	2,429	2,076
Prepaid expenses	27	38	33
	1,358	**2,467**	**2,109**
Commitments (note 10)			
Contingencies (note 11)			
ACCUMULATED SURPLUS	**$ 18,262**	**$ 22,810**	**$ 23,440**
Accumulated surplus is comprised of:			
Accumulated operating surplus	$ 19,802	$ 24,350	$ 23,430
Accumulated remeasurement gains (losses)	(1,540)	(1,540)	10
	$ 18,262	**$ 22,810**	**$ 23,440**

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Director

Director

statements of operations (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	Budget 2012	Actual 2012	Actual 2011
REVENUE			
Provincial:			
Operating grant	$ 10,695	$ 10,308	$ 10,972
Strategic investment grant	14,947	11,984	8,914
Loan valuation allowance grant	2,037	2,037	2,100
Miscellaneous	440	911	685
Federal revenue	809	821	580
Interest on loans receivable	6,528	5,955	8,700
Other investment income	730	436	471
Gain on sale of industrial parks and malls	335	443	564
Other	424	617	523
Total revenue	**36,945**	**33,512**	**33,509**
EXPENSES			
Operating expenses (Schedule)	12,236	12,418	11,621
Transfer payments to the Province	-	1,429	967
Strategic investments	14,947	11,984	8,914
Allowance for credit losses and provision for payment of guarantees	2,037	6,450	3,029
Nova Scotia Business Fund - other expenses (Schedule)	6,645	5,779	8,058
Total expenses	**35,865**	**38,060**	**32,589**
Annual operating surplus (deficit)	1,080	(4,548)	920
Accumulated operating surplus, beginning of year	24,350	24,350	23,430
ACCUMULATED OPERATING SURPLUS, END OF YEAR	**$ 25,430**	**$ 19,802**	**$ 24,350**

The accompanying notes are an integral part of these financial statements.

statements of remeasurement gains and losses (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	Actual 2012	Actual 2011
Accumulated remeasurement gains (losses), beginning of year	$ (1,540)	$ 10
Unrealized losses attributable to: Portfolio investments	-	(1,550)
ACCUMULATED REMEASUREMENT LOSSES, END OF YEAR	**$ (1,540)**	**$ (1,540)**

The accompanying notes are an integral part of these financial statements.

statements of changes in net financial assets (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	Budget 2012	Actual 2012	Actual 2011
Annual operating surplus (deficit)	$ 1,080	$ (4,548)	$ 920
Amortization of tangible capital assets	73	73	95
Acquisition of tangible capital assets	-	-	(895)
Gain on sale of tangible capital assets	(335)	(443)	(564)
Proceeds on sale of tangible capital assets	-	1,468	1,011
	818	**(3,450)**	**567**
Acquisition of prepaid expenses	-	(27)	(38)
Use of prepaid expenses	-	38	33
Change in net financial assets	818	(3,439)	562
Net remeasurement losses	-	-	(1,550)
Increase (decrease) in net financial assets	818	(3,439)	(988)
Net financial assets, beginning of year	20,343	20,343	21,331
NET FINANCIAL ASSETS, END OF YEAR	**$ 21,161**	**$ 16,904**	**$ 20,343**

The accompanying notes are an integral part of these financial statements.

statements of cash flows (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	2012	2011
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):		
Operating activities:		
Annual operating surplus	$ (4,548)	$ 920
Items not involving cash and cash equivalents:		
Amortization	73	95
Loss on sale of financial instruments	-	52
Allowance for credit losses and provision for payment of guarantees	6,450	3,029
Capitalized interest on loans payable	647	397
Gain on sale of industrial parks and malls	(443)	(564)
Loan valuation allowance - due from Province of Nova Scotia	(2,037)	(2,100)
Change in non-cash operating working capital (note 14(b))	1,125	(2,211)
	1,267	**(382)**
Capital activities:		
Proceeds from sale of industrial parks and malls	1,468	1,011
Investing activities:		
Loan advances	(5,090)	(16,610)
Principal received on loans	11,638	8,361
Redemption of equity investments	300	4,000
Equity investments	(7,066)	(4,475)
	(218)	**(8,724)**
Financing activities:		
New borrowings from the Province of Nova Scotia	11,322	18,076
Principal repayments to the Province of Nova Scotia	(7,640)	(15,023)
	3,682	**3,053**
Increase (decrease) in cash and cash equivalents	6,199	(5,042)
Cash and cash equivalents beginning of year	10,136	15,178
CASH AND CASH EQUIVALENTS END OF YEAR	**$ 16,335**	**$ 10,136**

The accompanying notes are an integral part of these financial statements.

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia (the "Province") with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to drive, through business development, a strong, prosperous, and globally competitive Nova Scotia. The Corporation is not subject to provincial or federal taxes.

On April 1, 2011, the Corporation adopted the Canadian public sector accounting standards ("PSAB"). These are the first financial statements of the Corporation prepared in accordance with PSAB. Prior to 2012, the financial statements were prepared in accordance with Part V of the CICA Handbook.

In accordance with the transitional provisions in PSAB, the Corporation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying PSAB.

The impact of the transition of the Corporation's financial statements to PSAB has been summarized in note 2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting:

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(c) Loans receivable:

Loans receivable are recorded at amortized cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded when management considers it necessary to reduce the loan to its estimated recoverable amount.

(d) Equity investments:

Equity investments in publicly traded companies are recorded at fair market value. Equity investments with limited market information available are recorded either at: 1) value determined by a specific valuation method or, 2) cost less a general allowance for credit losses equal to 10% of cost. This allowance or the difference between valuation and cost amount reflects the risk associated with equity investments. The cost approach is used in cases whereby the valuation result is higher than book value but the increase is considered temporary. The investments are reviewed twice yearly for potential declines in value.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets - industrial parks and malls:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized over their estimated useful lives as follows:

ASSET	BASIS	RATE
Industrial malls and other buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

Assets not in use are not amortized.

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(f) Other assets:

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(g) Due to the Province of Nova Scotia:

Amounts due to the Province are recorded at amortized cost.

(h) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(i) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(j) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. The Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

(k) Employee future benefits:

(i) The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis. Actuarial assessments of the public service awards are carried out every three years.

(ii) Permanent employees of the Corporation participate in the Nova Scotia Public Service Superannuation Plan (the "Plan"), a contributory defined benefit pension plan administered by the Province, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The costs of the employer pension benefits are the Corporation's contributions due to the Plan in the period. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the Nova Scotia Business Fund assets and the public service awards accrual. Actual results could differ from these estimates.

(m) Future changes in accounting policies:

The Public Sector Accounting Board has issued Section PS 3410 - Government Transfers effective for fiscal years beginning on or after April 1, 2012. This section revises and replaces existing Section PS 3410 of the same name and can be applied either retrospectively or prospectively. Section PS 3410 - Government Transfers establishes guidance on the recognition, presentation and disclosure of government transfers made to individuals, organizations and other governments. The new standard addresses this with more guidance specifically from the perspectives of both transferring governments and recipient governments. The impact of the adoption of the revised PS 3410 - Government Transfers is being evaluated by management and is not known or reasonably estimable at this time.

2. TRANSITIONAL ADJUSTMENTS

(a) Accumulated surplus:

The adoption of PSAB had no impact on the Corporation's accumulated surplus. There were no adjustments to the balance of accumulated surplus as at April 1, 2010 as a result of implementing the accounting changes.

(b) Annual surplus:

As a result of the retrospective application of PSAB, the Corporation recorded the following adjustments to annual operating surplus for the year ended March 31, 2011:

Annual operating surplus:	
Net income, as previously reported under Canadian generally accepted accounting principles, March 31, 2011	$ 1,887
Transition adjustment to recognize transfer payments paid to the Province of Nova Scotia	(967)
Restated, March 31, 2011	$ 920

(c) The Corporation did not elect to use any exemptions allowed in accordance with the transitional provisions of PSAB.

(d) Early adoption of accounting standards:

At the time of transition, the Corporation has early adopted the following accounting standards on a prospective basis. These standards have been reflected prospectively in the financial statements for the current year:

(i) PS 3450 - Financial Instruments:

The Corporation has elected to early adopt Section PS 3450 - Financial Instruments ("Section PS 3450") effective for the year ended March 31, 2012. The mandatory application date of Section PS 3450 is for fiscal years beginning on or after April 1, 2012. Section PS 3450 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments include primary instruments (such as receivables, payables and equity instruments) and derivative financial instruments (such as financial options, futures and forwards, interest rate swaps and currency swaps). Financial instruments are assigned to one of two measurement categories: fair value, or cost or amortized cost. Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value. Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market. Other financial assets and financial liabilities are generally measured at cost or amortized cost. Until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses. Budget-to-actual comparisons are not required within the statement of remeasurement gains and losses. When the reporting entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category. New requirements clarify when financial liabilities are derecognized. The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Section PS 3450 outlines new disclosure requirements of items reported on and the nature and extent of risks arising from financial instruments.

Upon adoption of this standard, the Corporation has recorded its portfolio investments in equity instruments that are quoted in an active market at fair value. The remaining financial assets and financial liabilities have been recorded at cost or amortized cost.

There is no other material impact on the financial statements as a result of adopting this standard.

(ii) PS 2601 - Foreign Currency Translation:

The Corporation has elected to early adopt Section PS 2601 – Foreign Currency Translation ("Section PS 2601") effective for the year ended March 31, 2012. The mandatory application date of Section PS 2601 is for fiscal years beginning on or after April 1, 2012. This Section revises and replaces Section PS 2600 - Foreign Currency Translation. Under Section PS 2601, the definition of currency risk is amended to conform to the definition in Section PS 3450 – Financial Instruments. The exception to the measurement of items on initial recognition that applies when synthetic instrument accounting is used is removed. At each financial statement date subsequent to initial recognition, non-monetary items denominated in a foreign currency that are included in the fair value category in accordance with Section PS 3450 are adjusted to reflect the exchange rate at that date. The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued. Until the period of settlement, exchange gains and losses are recognized in the statement of remeasurement gains and losses rather than the statement of operations. Hedge accounting and the presentation of items as synthetic instruments are removed.

There is no material impact on the financial statements a result of adopting this standard.

3. LOANS RECEIVABLE

	March 31, 2012	March 31, 2011	April 1, 2010
Principal due:			
Performing loans	$ 92,320	$ 104,537	$ 106,885
Impaired loans	24,024	21,223	16,706
	116,344	125,760	123,591
Allowance for credit losses (note 7)	37,672	35,990	36,722
	$ 78,672	**$ 89,770**	**$ 86,869**

Impaired loans include those loans whereby payments are in arrears by 3 months or more.

Interest charged on these loans ranges from no interest to 12%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between the Corporation and the debtor based on the risk attached to the individual loan. Security can range from an unsecured position to a fully secured position.

4. EQUITY INVESTMENTS

	March 31, 2012	March 31, 2011	April 1, 2010
Common shares	$ 14,168	$ 8,225	$ 12,327
Preferred shares	27,914	18,939	22,748
Convertible debentures	5,161	10,661	9,561
	47,243	37,825	44,636
Allowance for credit losses (note 7)	14,246	11,318	15,556
	$ 32,997	**$ 26,507**	**$ 29,080**

Certain preferred shares have conversion options and warrants attached.

5. INDUSTRIAL PARKS AND MALLS

March 31, 2012	Cost	Accumulated Amortization	Net Book Value
Land	$ 107	$ -	$ 107
Buildings	873	618	255
Wharves	1,752	1,096	656
Utilities	458	145	313
	$ 3,190	**$ 1,859**	**$ 1,331**

5. INDUSTRIAL PARKS AND MALLS (continued)

March 31, 2011	Cost	Accumulated Amortization	Net Book Value
Land	$ 110	$ -	$ 110
Industrial malls and other buildings	2,057	766	1,291
Wharves	1,752	1,061	691
Utilities	458	121	337
	$ 4,377	**$ 1,948**	**$ 2,429**

April 1, 2010	Cost	Accumulated Amortization	Net Book Value
Land	$ 143	$ -	$ 143
Industrial malls and other buildings	1,750	1,101	649
Wharves	2,527	1,606	921
Utilities	458	95	363
	$ 4,878	**$ 2,802**	**$ 2,076**

During fiscal 2011, a building valued at $895 was acquired through a loan foreclosure and was transferred to industrial parks and malls as an owned asset.

6. OTHER ASSETS

	March 31, 2012	March 31, 2011	April 1, 2010
Property acquired through foreclosure, at cost	$ 820	$ 820	$ 822
Less allowance for credit losses (note 7)	820	820	822
	$ -	$ -	$ -

7. ALLOWANCE FOR CREDIT LOSSES AND PROVISION FOR PAYMENT OF GUARANTEES

Years ended March 31, 2012 and March 31, 2011

March 31, 2012	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
Loans receivable (note 3)	$ 116,344	$ 33,855	$ 3,817	$ 37,672	$ 78,672
Equity investments (note 4)	47,243	11,398	2,848	14,246	32,997
Guarantees (note 11)	300	300	-	300	-
Other assets (note 6)	820	820	-	820	-
	$ 164,707	**$ 46,373**	**$ 6,665**	**$ 53,038**	**$ 111,669**

March 31, 2011	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
Loans receivable (note 3)	$ 125,760	$ 31,740	$ 4,250	$ 35,990	$ 89,770
Equity investments (note 4)	37,825	8,984	2,334	11,318	26,507
Guarantees (note 11)	300	-	30	30	270
Other assets (note 6)	820	820	-	820	-
	$ 164,705	**$ 41,544**	**$ 6,614**	**$ 48,158**	**$ 116,547**

April 1, 2010	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
Loans receivable (note 3)	$ 123,591	$ 32,593	$ 4,129	$ 36,722	$ 86,869
Equity investments (note 4)	44,636	13,218	2,338	15,556	29,080
Guarantees (note 11)	2,900	2,900	-	2,900	-
Other assets (note 6)	822	822	-	822	-
	$ 171,949	**$ 49,533**	**$ 6,467**	**$ 56,000**	**$ 115,949**

During the year, investments in the amount of $1,568 (March 31, 2011 - $11,591; April 1, 2010 - $286) were written off and included in the allowance for credit losses and provision for payment of guarantees.

8. LONG-TERM LIABILITIES DUE TO PROVINCE OF NOVA SCOTIA:

Years ended March 31, 2012 and March 31, 2011

(a) Notes payable to the Province are comprised of the following:

	Fiscal Year of Maturity	Weighted average interest rate	March 31, 2012 Principal Outstanding	March 31, 2011 Principal Outstanding	April 1, 2010 Principal Outstanding
Note payable 2002-01	-	-	$ 13,858	$ 19,358	$ 29,504
Note payable 2002-02	2022	6.22%	28,216	30,385	32,424
Note payable 2003-03	2012	4.97%	-	17	68
Note payable 2003-04	2014	5.29%	279	315	454
Note payable 2003-05	2011	5.44%	-	-	145
Note payable 2004-01	2017	4.61%	653	904	1,259
Note payable 2004-02	2015	4.18%	2,606	2,778	3,448
Note payable 2005-01	2011	4.23%	-	-	1,013
Note payable 2005-02	2014	3.80%	99	128	270
Note payable 2006-01	2027	5.09%	1,355	1,379	1,474
Note payable 2006-02	2027	4.98%	1,731	1,760	1,877
Note payable 2006-03	2027	4.86%	2,807	2,854	3,044
Note payable 2006-04	2027	4.94%	1,938	1,970	2,101
Note payable 2007-01	2027	5.11%	873	888	947
Note payable 2007-02	2027	4.89%	885	899	959
Note payable 2007-03	2027	4.97%	377	383	409
Note payable 2007-04	2027	5.01%	72	73	78
Note payable 2007-05	2027	5.38%	1,260	1,281	1,367
Note payable 2007-06	2027	5.58%	131	133	142
Note payable 2008-01	2017	4.02%	746	778	908
Note payable 2008-02 to 2008-13	2013-2027	0.99% - 5.15%	2,497	3,261	3,746
Note payable 2009-01 & 2009-06	2013	1.60%	464	480	640
Note payable 2009-02	2027	3.16%	809	822	872
Note payable 2009-03 & 2009-05	2014	2.20%	1,613	1,748	2,150
Note payable 2009-04	2013	2.11%	190	205	265
Note payable 2009-07	2014	2.52%	278	311	400
Note payable 2009-08	2015	4.09%	963	992	1,050
Note payable 2009-09	2013	1.75%	147	157	197
Note payable 2009-10	2015	3.18%	6,383	6,186	5,996
Note payable 2009-11	2015	3.18%	782	758	735
Note payable 2009-12	2015	3.18%	1,075	1,041	1,009
Note payable 2009-13	2015	3.17%	295	286	277
Note payable 2009-14	2015	2.92%	321	331	350
Note payable 2009-15	2015	3.16%	160	155	151
Note payable 2009-16	2015	3.15%	1,218	1,181	1,145
Note payable 2009-17	2015	3.35%	214	207	200
Note payable 2009-18	2013	2.80%	263	300	300
Balance carry-forward			**75,558**	**84,704**	**101,374**

	Fiscal Year of Maturity	Weighted Average Interest rate	March 31, 2012 Principal Outstanding	March 31, 2011 Principal Outstanding	April 1, 2010 Principal Outstanding
Balance carried forward			**75,558**	**84,704**	**101,374**
Note payable 2010-01	2014	1.94%	203	219	-
Note payable 2010-02	2016	3.67%	268	259	-
Note payable 2010-03	2015	2.39%	117	123	-
Note payable 2010-04	2016	3.63%	321	310	-
Note payable 2010-05	2014	3.17%	133	142	-
Note payable 2010-06	2016	3.45%	213	206	-
Note payable 2010-07	2016	3.45%	532	515	-
Note payable 2010-08	2013	2.05%	88	100	-
Note payable 2010-09	2016	3.16%	66	64	-
Note payable 2010-10	2016	3.17%	90	87	-
Note payable 2010-11	2015	2.28%	25	27	-
Note payable 2010-12	2015	2.35%	350	350	-
Note payable 2010-13	2016	2.94%	28	28	-
Note payable 2010-14	2013	1.77%	102	107	-
Note payable 2010-15	2016	2.57%	571	557	-
Note payable 2010-16	2014	2.05%	1,031	1,010	-
Note payable 2010-17	2014	2.21%	800	800	-
Note payable 2010-18	2013	1.91%	150	150	-
Note payable 2010-19	2016	2.57%	1,536	1,497	-
Note payable 2010-20	2016	2.17%	70	70	-
Note payable 2010-21	2016	2.57%	550	550	-
Note payable 2010-22	2014	2.56%	517	504	-
Note payable 2010-23	2014	2.09%	1,579	1,639	-
Note payable 2010-24	2021	3.35%	5,000	5,000	-
Note payable 2010-25	2014	2.60%	515	502	-
Note payable 2010-26	2014	2.44%	193	200	-
Note payable 2010-27	2016	2.94%	524	509	-
Note payable 2010-28	2013	1.69%	183	196	-
Note payable 2010-29	2016	2.70%	99	99	-
Note payable 2010-30	2016	3.28%	518	502	-
Note payable 2010-31	2013	1.77%	8	8	-
Note payable 2010-32	2013	1.88%	901	940	-
Note payable 2010-33	2014	2.15%	725	750	-
Note payable 2011-01	2014	2.04%	390	-	-
Note payable 2011-02	2013	2.15%	80	-	-
Note payable 2011-03	2016	2.78%	50	-	-
Note payable 2011-04	2014	1.70%	50	-	-
Note payable 2011-05	2017	2.82%	4,087	-	-
Note payable 2011-06	2017	2.65%	2,020	-	-
Note payable 2011-07	2014	1.58%	1,514	-	-
Balance carry-forward			**101,755**	**102,724**	**101,374**

8. LONG-TERM LIABILITIES DUE TO PROVINCE OF NOVA SCOTIA (continued):

Years ended March 31, 2012 and March 31, 2011

	Fiscal Year of Maturity	Weighted Average Interest rate	March 31, 2012 Principal Outstanding	March 31, 2011 Principal Outstanding	April 1, 2010 Principal Outstanding
Balance carried forward			**101,755**	**102,724**	**101,374**
Note payable 2011-08	2016	1.75%	250	-	-
Note payable 2011-09	2017	2.43%	862	-	-
Note payable 2011-10	2015	1.46%	950	-	-
Note payable 2011-11	2013	1.19%	29	-	-
Note payable 2011-12	2017	1.53%	50	-	-
Note payable 2011-13	2013	1.28%	250	-	-
Note payable 2011-14	2014	1.38%	200	-	-
Note payable 2011-15	2013	1.24%	121	-	-
Note payable 2011-16	2014	1.71%	250	-	-
Note payable 2011-17	2017	2.14%	300	-	-
			$ 105,017	**$ 102,724**	**$ 101,374**

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

2013	$ 13,928
2014	13,511
2015	17,100
2016	9,528
2017	11,700

There are no set repayment terms for certain notes payable due to the Province in the amount of $13,858 (March 31, 2011 - $19,358; April 1, 2010 - $29,504).

9. SHARE CAPITAL

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province.

10. COMMITMENTS

(a) The Corporation has approved financing of $22,289 (March 31, 2011 - $20,089) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province in the form of a Strategic Investment Grant. As at March 31, 2012, transactions were approved with maximum annual payments over the next seven years of $78.5 million (March 31, 2011 - $79.4 million) as shown below.

2013	$ 21,894
2014	21,044
2015	13,006
2016	11,336
2017	9,228
2018	1,243
2019	780
	$ 78,531

11. CONTINGENCIES

(a) Guarantees:

	Authorized	March 31, 2012 Utilized	March 31, 2011 Utilized	April 1, 2010 Utilized
Bank loans	$ 300	$ 300	$ 300	$ 2,900
Less provision for payment		300	30	2,900
		$ -	$ 270	$ -

The above are guarantees of lines of credit and one or more of these will expire in 2013.

The guarantees are secured by various assets and proceeds from liquidation are expected to offset any possible payments under the guarantees.

(b) Litigation

The Corporation is a co-defender with the Province and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's financial statements, with respect to these claims.

(c) The Corporation completed a transfer agreement, whereby a water system was transferred to the Municipality of the County of Colchester in fiscal 2008. The system has undergone Groundwater Under the Direct Influence of Surface Water ("GUDI") testing. Of the three wells tested, two were non-GUDI. As a result of the third well being determined as GUDI, the Corporation will likely have to contribute additional funds to be used for water treatment. It is not known the extent of the liability that exists at the year end.

12. FINANCIAL INSTRUMENTS

(a) Fair value

Equity investments in publicly-traded companies in the amount of $1,459 (March 31, 2011 - $1,459; April 1, 2010 - $3,062) are recorded at fair market value, which represents the last bid price for the stock on the stock exchange.

Fair value measurements are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents and the portfolio investments in equity instruments traded in active markets have been recorded as Level 1 using the fair value hierarchy.

(b) Associated risks

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's Nova Scotia Business Fund assets are primarily exposed to credit, interest rate, market price and liquidity risk.

(i) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $32,972 and $20,292, respectively (March 31, 2011 - $35,223 and $22,526; April 1, 2010 - $32,222 and $24,760). A third client, currently has an outstanding balance of $12,318 which is now below the $15,000 financing limit threshold (March 31, 2011 - $13,320; April 1, 2010 - $14,322 and $2,760 of authorized but unutilized funding available).

In fiscal 2011, financing to a new client in the amount of $15,000 was authorized but unadvanced at year-end.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of the potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

(ii) Interest risk:

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in market interest rates. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

(iii) Market price risk:

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market. At year end, the Corporation held $1,459 (March 31, 2011 - $1,459; April 1, 2010 - $3,062) in publicly traded equities. As these equities are carried at fair value with fair value changes recognized in the statement of remeasurement gains and losses, all changes in market conditions will directly result in an increase (decrease) of accumulated remeasurement gains (losses).

(iv) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from the loans receivable and equity investments, and principal repayments received on the loans receivable. These sources of funds are used to pay operating expenses and debt service payments to the Province. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which may also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2012:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	March 31, 2012 Total	March 31, 2011 Total	April 1, 2010 Total
Accounts payable and accrued liabilities	$ 9,332	$ -	$ -	$ -	$ 9,332	$ 11,127	$ 13,258
Accrued interest payable	1,572	-	-	-	1,572	808	893
Employee benefits and other liabilities	733	204	246	211	1,394	1,351	1,225
Transfer payments payable to the Province	1,429	-	-	-	1,429	967	1,915
Deferred revenue	419	147	5	-	571	616	381
Provision for payment of guarantee	300	-	-	-	300	30	2,900
Long-term debt due to the Province	13,928	51,839	21,836	3,556	91,159	83,366	71,870
	$ 27,713	**$ 52,190**	**$ 22,087**	**$ 3,767**	**$ 105,757**	**$ 98,265**	**$ 92,442**

13. NOVA SCOTIA BUSINESS FUND

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") and investments have been transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at the following dates:

	NSBI Portfolio		NSBDC Portfolio		
March 31, 2012	**Gross**	**Less allowance for credit losses**	**Gross**	**Less allowance for credit losses**	**Net Total**
Assets:					
Loans receivable	$ 41,443	$ 17,609	$ 74,901	$ 20,063	$ 78,672
Equity investments	46,237	13,240	1,006	1,006	32,997
Industrial parks and malls	-	-	1,331	-	1,331
Other assets	-	-	820	820	-
Guarantees	300	300	-	-	-
Financing authorized but unadvanced	22,289	-	-	-	22,289
	$ 110,269	**$ 31,149**	**$ 78,058**	**$ 21,889**	**$ 135,289**

13. NOVA SCOTIA BUSINESS FUND (continued)

March 31, 2011	NSBI Portfolio Gross	NSBI Portfolio Less allowance for credit losses	NSBDC Portfolio Gross	NSBDC Portfolio Less allowance for credit losses	Net Total
Assets:					
Loans receivable	$ 44,438	$ 18,010	$ 81,322	$ 17,980	$ 89,770
Equity investments	35,819	9,701	2,006	1,617	26,507
Industrial parks and malls	-	-	2,429	-	2,429
Other assets	-	-	820	820	-
Guarantees	300	30	-	-	270
Financing authorized but unadvanced	20,089	-	-	-	20,089
	$ 100,646	**$ 27,741**	**$ 86,577**	**$ 20,417**	**$ 139,065**

April 1, 2010	NSBI Portfolio Gross	NSBI Portfolio Less allowance for credit losses	NSBDC Portfolio Gross	NSBDC Portfolio Less allowance for credit losses	Net Total
Assets:					
Loans receivable	$ 32,451	$ 12,323	$ 91,140	$ 24,399	$ 86,869
Equity investments	32,106	7,867	12,530	7,689	29,080
Industrial parks and malls	-	-	2,076	-	2,076
Other assets	-	-	822	822	-
Guarantees	2,900	2,900	-	-	-
Financing authorized but unadvanced	4,690	-	-	-	4,690
	$ 72,147	**$ 23,090**	**$ 106,568**	**$ 32,910**	**$ 122,715**

	March 31, 2012	March 31, 2011	April 1, 2010
Funding authorized and committed:			
Fund balance authorized, net of write offs	$ 239,925	$ 241,493	$ 253,083
Less: uncommitted balance of fund	51,598	54,270	74,368
Committed fund balance	188,327	187,223	178,715
Less allowance for credit losses and provision for payment of guarantees	53,038	48,158	56,000
	$ 135,289	**$ 139,065**	**$ 122,715**

14. SUPPLEMENTARY CASH INFORMATION

a) Cash and cash equivalents include:

	March 31, 2012	March 31, 2011	April 1, 2010
Cash	$ 15,935	$ 9,736	$ 14,306
Short-term investments	400	400	872
	$ 16,335	**$ 10,136**	**$ 15,178**

b) Change in non-cash working capital:

	2012	2011
Accrued interest receivable	$ (333)	$ (439)
Other receivables	32	76
Due from the Province of Nova Scotia	1,986	960
Accounts payable and accrued liabilities	(1,795)	(2,131)
Accrued interest payable	764	(85)
Employee benefits and other liabilities	43	126
Transfer payments payable to the Province of Nova Scotia	462	(948)
Deferred revenue	(45)	235
Prepaid expenses	11	(5)
	$ 1,125	**$ (2,211)**

c) Supplemental cash flow information:

During the year, cash received for interest income was $5,831 (March 31, 2011 - $8,665) and cash paid for interest was $4,068 (March 31, 2011 - $7,312).

Non-cash investing activities	March 31, 2012	March 31, 2011
Equity market adjustments recorded as accumulated remeasurement gains (losses)	$ -	$ (1,550)
Conversion of convertible debentures to equity investments	$ 2,000	$ -
Conversion of accrued interest to equity investments	$ 1,353	$ -
Capital asset additions acquired through foreclosure	$ -	$ 895

15. RELATED PARTY TRANSACTIONS

During the year, no payroll rebates (March 31, 2011 - $585) were awarded to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. As at year-end, the total amount outstanding including current year balances to companies that were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. was $16,781 (March 31, 2011 - $6,781) for financial assistance. These have only the general reserve recorded against them. Furthermore, outstanding payroll rebates were in the amount of $162 (March 31, 2011 - $747).

The Corporation occupies premises for which no rental fee is charged by the shareholder. Management estimates the annual cost to lease the premises is approximately $674 (March 31, 2011 - $679).

The Corporation receives legal services for which no fee is charged by the shareholder. Management estimates the annual cost of these services is approximately $286 (March 31, 2011- $268).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

16. EMPLOYEE BENEFITS AND OTHER LIABILITIES

a) The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Public service awards	$ 511	$ 504	$ 540
Vacation pay	201	197	189
Other payroll accruals	682	650	496
	$ 1,394	**$ 1,351**	**$ 1,225**

b) Pension benefits:

Total employer contributions for 2012 were $524 (March 31, 2011 - $533) and are recognized as an expense in the year. The date of the last actuarial valuation of the Plan was December 31, 2011. An extrapolation of the entire multi-employer pension plan as of March 31, 2012 is as follows:

	March 31, 2012	March 31, 2011
Actuarial value of net assets	$ 4,405,927	$ 4,388,119
Actuarial value adjustment	(35,922)	(86,159)
Fair value of net assets available for benefits	4,370,005	4,301,960
Accrued pension obligation	4,541,817	4,240,670
Surplus (deficit) of net assets available for benefits over accrued pension obligation	$ (171,812)	$ 61,290

schedule of operating expenses (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	Budget 2012	Actual 2012	Actual 2011
Business development	$ 3,018	$ 3,705	$ 2,952
Legal and audit	51	51	50
Office expenses	404	410	420
Other	122	85	121
Salaries and benefits	7,574	7,019	7,073
Telecommunications and technical support	394	401	391
Travel	673	747	614
	$ 12,236	**$ 12,418**	**$ 11,621**

schedule of nova scotia business fund expenses (in thousands of dollars)

Years ended March 31, 2012 and March 31, 2011

	Budget 2012	Actual 2012	Actual 2011
Amortization	$ 73	$ 73	$ 95
Commissions	10	6	52
Interest	5,961	5,480	7,624
Legal	10	-	8
Repairs and maintenance	591	220	279
	$ 6,645	**$ 5,779**	**$ 8,058**

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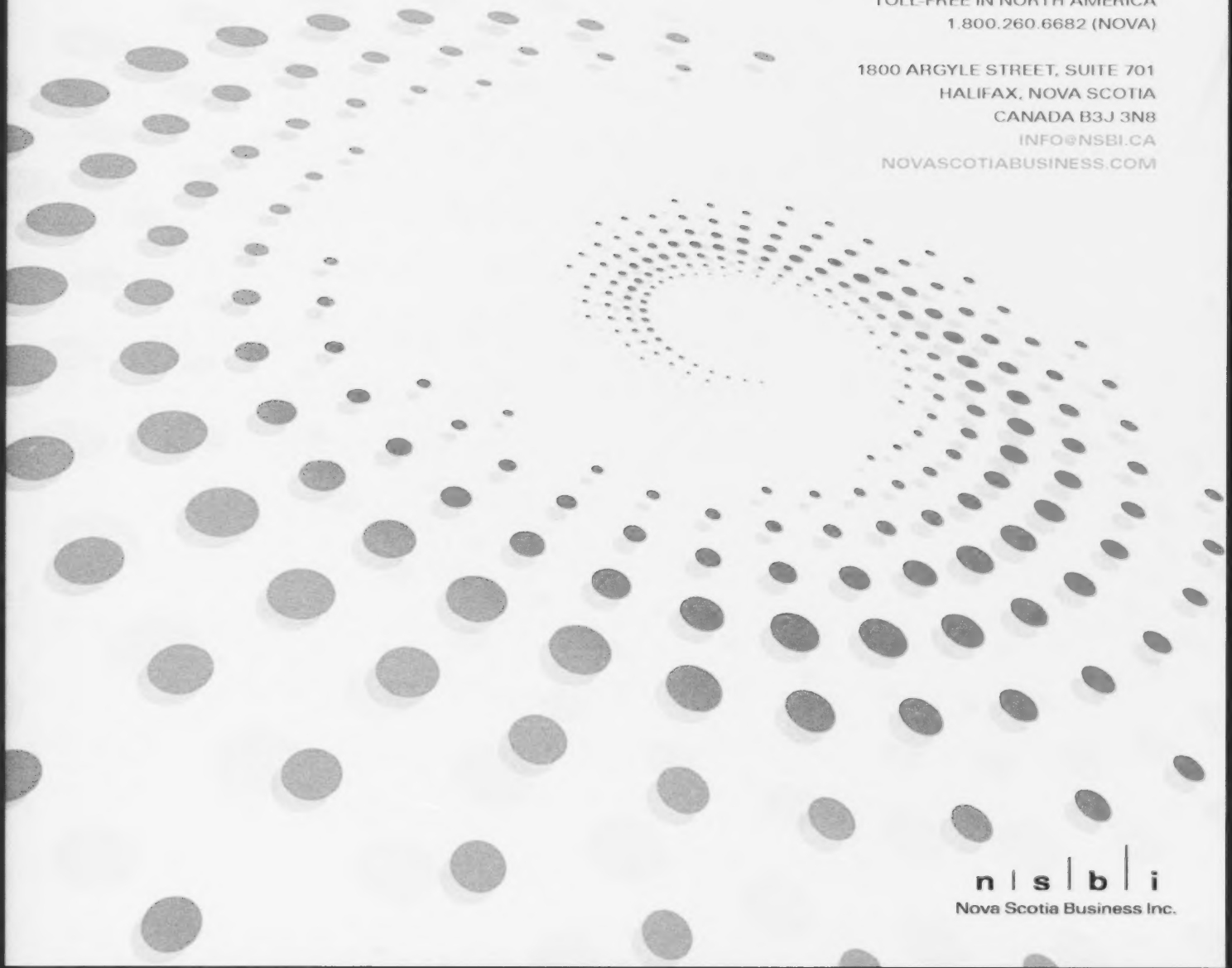

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